



Money

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Credit Repair-What's That?

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In order to understand credit repair, it's important to understand how credit is granted or judged...for anything from a mortgage or car loan, or something as simple as a cell phone. We are rated by something called a credit score. A credit score is just a reflection of how financially reliable you are.(unfortunately here we are judged by our past, not by our present or future)

A good credit rating tells the lender that you have a history of repaying "credit" on time, while a low score is an indicator that you have defaulted or are living beyond your means. Lenders use your score to assess whether you are a good risk for a loan or other debt. In earlier times, these records were maintained by store clerks or owners against a customer's credit against merchandise purchased. They accepted a "marker"-the customer's promise to pay the cost of the merchandise purchased plus interest-and these were all included in detailed lists that recorded all loans and the status of payment.

Today, we have credit bureaus. Reporting agency's such as Equifax keep tabs on individuals, and maintain detailed reports of their financial history and personal information. All your financial transactions with banks, and lenders are reported to these agencies. (its important to note that now everyone runs credit checks...including cell phone company's, this becomes important in our next article)

Now here's the important part. You and I, and everyone else are "credit scored " by a three digit number called a "Beacon score". When lenders want to assess your risk as an investment, lenders will perform a mandatory credit check by purchasing your information from reporting agency's. The first thing they look at is your beacon score. This then prompts them to look at the reported items on your credit bureau report, and get a picture of how you have managed your debt.

If you have a history of late payment, repossessions, charge-offs/write-offs, the agencies will create a positive or negative mark on your credit report accordingly. A history of credit abuses will result in a low beacon score. Other things that can affect your rating include bankruptcies, court judgments and other public records...as well as, this is very important, the number of times you seek credit! Every time you fill in a credit application, you give them permission to view your credit score...and automatically, it takes 15 points off your credit score! This is important to know because lenders will assess your creditworthiness based on your beacon score, and approve credit based on a good score.

Do you know your beacon score? Its not a life sentence. However, if you have a bruised score, as long as you maintain that status, traditional lending agencies will consider you a high-risk investment. More importantly, you can still qualify for sub prime lending instruments such as car loans. A low rating just means that you are a high-risk borrower and will be charged a higher rate of interest to offset the risk taken by the lender.

In closing, remember this. A bad credit score does not mean you are a bad person.. Stuff happens. Consider the people who have bruised credit...the guy recently separated or divorced, or the woman in the same scenario who never had credit...these people would be considered high risk. Or, how about the single mom, 3 kids, 4 jobs...working her tail off..she could be considered high risk, and finally, closer to home...the person who works on the job for a long time, gets laid off and has struggled to pay bills, is now considered a high risk. These are not what I call "credit criminals". These people just need direction. That's what I'm here for.